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RUEHLO/AMEMBASSY LONDON 3146
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RUEHGP/AMEMBASSY SINGAPORE 2023
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RUEHLH/AMCONSUL LAHORE 3777
RUEHPW/AMCONSUL PESHAWAR 4348
RUEHDE/AMCONSUL DUBAI 0605
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RHMCSUU/FBI WASHINGTON DC
RUEHGV/USMISSION GENEVA 6543

C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 001458

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E.O. 12958: DECL: 03/26/2017

TAGS: [PGOV](#) [PINR](#) [PREL](#) [PHUM](#) [ECON](#) [SOCI](#) [KDEM](#) [KISL](#) [IN](#)

SUBJECT: BELLWETHER PROJECT: BIHAR IS MORE THAN JUST CROPS
AND ROBBERS - PART II

REF: A. NEW DELHI 1446

[1](#)B. KOLKATA 36

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Classified By: Political Counselor Ted Osius for reasons 1.4 (b and d)

[1](#)1. (SBU) Summary: For the last two decades, Bihar was ruled by a kleptocratic and corrupt government, suffered from discriminatory central government policies, and was mired in caste and class-ridden social divides. Despite its Buddhist sacred sites, bountiful rivers and fertile soil, Bihar has failed to become one of India's most abundant breadbaskets or generate a significant tourism economy. Education and health care are grossly inadequate. Bihar is commonly asserted to be one of the most backward, least developed and most hopeless Indian state. The third biggest in terms of population, it fares poorly on almost every scale of human development. However, the a new Janata Dal (United) (JDU) of

Chief Minister Nitish Kumar has initiated much-needed changes. His administration is fixing the roads and extending railway networks - the most visible symbols of Bihar's efforts to move forward - seeking investment, developing public-private partnerships and working to improve schools and health care. Most critically, development now figures as a key issue in the political discourse. Biharis, for the first time in decades, look to the future with hope.
End Summary.

12. (U) This is Part II of three Bellwether Project reports on Bihar. Part I (reftel A) focuses on the current political environment and new development in Bihar. Part III will deal with agriculture and the problem of trafficking in persons, including migrant labor. These cables reflect the collaboration between Delhi and Kolkata.

Attracting Investment: A PR Struggle

13. (SBU) Although Bihar's new roads will not fix everything, they will help ensure produce is more likely to reach their intended markets instead of rotting along the way. Hindustan Times Resident Editor Mammen Mathew underscored that "real money must come in from developed countries. We have a huge man-made disaster (that needs fixing)." To that end, the World Bank prepared its "Bihar: Towards Development Strategy" roadmap and has expressed its willingness to put the State on the path of accelerated growth and development by extending active cooperation to the new government.

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14. (C) The Bihar Government's Approach Paper to the Eleventh Five Year Plan, prepared by the State Planning and Development Department, provides some clues about what to expect in years ahead. Bihar's growth in recent years has significantly lagged behind India's overall GDP growth of 7-9 percent. The Eleventh Plan seeks to correct this by targeting a growth rate of 8.5 per cent per annum, from less than 4 percent in 2003-04. The targeted investment, corresponding to the targeted rate of growth of 8.5 percent of Gross State Domestic Product, is about 24 percent of the State's receipts, up from about 18.5 percent in 2003-04.

15. (C) The most striking feature of the plan is the sharp shift in emphasis to private investment as the prime mover of the economy. In 2003-04, private investment accounted for about 54 percent of overall investment; this is projected to increase to 65 percent during the Eleventh Plan period. In effect, the strategy adopted by the Bihar government appears to reduce state intervention in the economy in order to facilitate private investment. Whether private investment will respond is, of course, another matter.

16. (C) This has important consequences for Bihar's economy and society - indeed, for the direction the Nitish Kumar government will take in years ahead. A "Bihar Calling" ad recently ran on BBC World to woo investors. The ad showed then newly-elected Nitish Kumar trying to lure back estranged, rich Biharis staying abroad, to the land of their birth. Seeing Kumar singing paeans in praise of "metamorphasized Bihar," one could believe that he would turn the "land of carnage" into one of plenty and that he simply needed some investment to nurture this "land of eternal peace and prosperity". (Note: In sharp and sobering anecdotal contrast, during the time the ad was being prepared, someone set six people on fire in a dispute over a stolen buffalo.
End Note.)

17. (SBU) The power situation is highly problematic for investors. With the exception of Patna, almost all districts experience severe power cuts and generally have access to power for only a few hours a day. Kumar understands that power will bring in industry, and is preparing a new Power

Policy to woo private investment in generation and distribution. There are also proposals for new thermal power projects that could generate 5,750 megawatts on an investment of Rs. 23,350 crore (approximately 230 million USD). A nuclear power project is being considered. The Kumar government is also contracting private players for electricity repair, billing and collection.

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18. (SBU) There are other untapped potential industries in Bihar, including tourism. In our Patna hotel, we saw a busload of travel-weary Japanese tourists return from Bodh Gaya, Buddha's birthplace. There are estimates that the tourism industry has the potential to create four million jobs and earn 10 USD million of revenue annually. Further, the world has discovered Madhubani paintings. Now, anyone can find Madhubani paintings on the Internet and eBay for less than 100 USD, although the Bihari artists receive only a fraction of the money.

Education, as Usual, is the Key

19. (SBU) Bihar's early lead on education was lost in the post independence period. Modern Bihar has a grossly inadequate educational infrastructure creating a huge mismatch between demand and supply. Some stately Raj-era educational buildings stand in a state of shabby disrepair, despite being classified as heritage sites. The problem is compounded by the growing aspirations of the people and increasing population. The craving for higher education among the general has contributed to massive migration of students out of the state. It was a pleasant surprise to find that in spite of the meager investment on education in Bihar, especially compared to other Indian states, the children have done very well. The percentage of Bihari students in India's famed IITs, IIMs, and AIOMs are usually higher than their proportion although none of these institutions are located in Bihar. The same holds true for the percentage of Biharis in coveted civil service positions.

110. (SBU) Kumar is also looking at education and has promised to hire over 236,000 elementary and secondary school teachers to ensure that schools function. Earlier, Bihari teachers only came to work on payday. Teachers and administrators at the five educational institute we visited pleaded with us for U.S. resources. They want books, American literature, an American Corner, even an American Presence Post. They want their students to have greater access to the Fulbright program, PAS exchange programs and U.S. speakers. We confirmed that, for the first time in many years, teachers are being paid on time, attending class and preventing students from cheating on exams.

Health Sector is Unwell

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111. (SBU) The health sector has been long neglected in Bihar. According to the media and national norms, Bihar should have at least 533 primary health centers, but there are only 398. Similarly, Bihar has fewer than 9,000 functional health sub-centers, compared with at least 16,500 as per national standards. There are only 70 referral hospitals, although the norms stipulate there should be at least 619. This is also reflected in the number of government medical officers - the State has only 3,380 whereas the norms stipulate 8,500. Hospitals are often non-existent, doctors move to neighboring states and are not replaced and most primary health centers are non-functional. HIV/AIDS is also a formidable concern.

UNDP TAHA (Trafficking And HIV/AIDS) told Poloff that Bihar has critically low awareness and understanding of the risk of AIDS. According to their statistics, only 64 percent of Biharis have heard of HIV/AIDS (78 percent men and 46 percent women.)

¶12. (SBU) Kumar is inviting private partnerships to upgrade the health facilities and has spent 200 crore rupees (approximately 2 billion USD) on construction and upgrades. Kumar also told Frontline that the government is recruiting doctors to serve in government hospitals. Indeed, at our road side stops outside of the capital, villagers and Bihari locals told us they are now finding doctors in the hospital and we saw a Muslim village woman with her arm in a cast. Further, X-ray services have been "outsourced" to private parties. There has also been an increase in polio immunizations to control the recently documented increase in infection (reftel B). Indeed, we noticed that virtually every empty wall, both within and beyond Patna, was plastered with posters promoting polio immunization.

Comment: Is a New Day Dawning?

¶13. (C) The relative squeeze on public investment in the Eleventh Plan may well jeopardize its newly inaugurated welfare schemes, however. If its risk-laden strategy of wooing private investment fails, the goodwill that Nitish Kumar currently enjoys could quickly evaporate. Before launching another "Bihar Calling" campaign, he must provide sufficient reasons for non-resident Biharis to look back at their land of origin. There is still no electricity for the better part of the day in most small towns and villages. Law and order, while improving, still has a long way to go.

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Significantly, we did not hear resistance to the idea of investment by foreign companies. In fact, most Biharis welcomed the idea. And while Indian industries are beginning to think about investing in Bihar, that is not enough. Biharis must resist the temptation to allow traditional caste politics to preclude progress (easier said than done) and change must continue unabated.

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